



State of Washington  
Department of Revenue

# Excise Tax Advisory

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Excise Tax Advisories (ETA) are interpretive statements issued by the Department of Revenue under authority of RCW 34.05.230. ETAs explain the Department's policy regarding how tax law applies to a specific issue or specific set of facts. They are advisory for taxpayers; however, the Department is bound by these advisories until superseded by Court action, Legislative action, rule adoption, or an amendment to or cancellation of the ETA.

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NUMBER: 455.04.155

CONVERSION DATE: July 1, 1998

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## COMPUTER PROGRAMS: RETAIL OR SERVICE

Issued July 31, 1973

Are producers of microfilm or microfiche data records taxable as retailers or as persons rendering professional services

The taxpayer was involved in producing computerized information retrieval systems designed to provide better data retrieval, indexing and organization tailored to meet the specific needs of individual clients. The process included extensive investigation and analysis of a client's data storage and retrieval problems. After the analysis the client's basic data was placed on microfilm or microfiche and organized so that the client had convenient access to the information through a variety of index sources.

Although extensive analysis is performed before the microfilm or microfiche is produced, the taxpayer bills clients on the basis of the number of sheets of microfilm or microfiche delivered. There is no charge for the analysis if the client decides not to order the microfilm or microfiche. Thus, it appears that the subject of the sale is a product, i.e., microfilm or microfiche rather than the developmental research and investigation.

The Department held that the sale of microfilm, records or tapes of reorganized, reindexed or reclassified data produced through a computer process is taxable as a retail sale of tangible personal property.

This type of process is highly distinguishable from data processing or computer services such as the computerized production of feasibility studies, cost surveys and market trend analyses which provide the client with new and useful organized information from raw data gathered by the computer service company. In these instances the client could not carry out its objective without the work product of the service company.

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***ETBS have been made Excise Tax Advisories, and have retained their old number. Advisories with a 2 (plus three digits) are new advisories, ETBs that have been revised and readopted after review under the Department's regulatory improvement program, or advisories that have been revised and/or readopted.***

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RCW 82.04.050 defines "retail sale" to include ". . . the sale of or charge made for tangible personal property consumed and/or for labor and services rendered in respect to the . . ." sale of tangible personal property. In this instance the taxpayer is selling tangible personal property -- the microfilm or microfiche -- with respect to which some service has been performed as contemplated by the statute. Since such sales are retail sales it follows also that purchases of "raw" microfilm or microfiche by such sellers are purchases for resale.

Note Regarding Interstate Sales. Where the seller delivers microfilm or microfiche to purchasers outside the state no sales tax shall apply so long as the delivery requirements of published Rule 193A are complied with. However, because the seller is a local manufacturer of the microfilm and/or microfiche he is liable for the business and occupation tax under the Manufacturing classification on the basis of the value of the products manufactured (measured by the selling price) regardless of the point of delivery.